

Cap-And-Trade Bill Fails Texas

In a highly unusual public hearing of the Railroad Commission, the Public Utilities Commission and the Texas Commission on Environmental Quality in Austin on September 22, Alliance Executive Vice President **Bill Stevens** testified that manmade global climate change remains a very debatable concept. "...[T]he debate is simply not closed. The reduction of manmade carbon dioxide may or may not be beneficial and necessary."

Stevens noted that the hearing primary purpose was to discuss the 'pros and cons' of the effect on Texas of **HR 2454 American Clean Energy and Security Act of 2009**, as passed by the U. S. House of Representatives in July of this year.

"We, at the Alliance, believe that HR 2454 with 'cap and trade' and the attendant federal controls is **bad public policy** for our nation and this state," he said.

Stevens presented a list of 15 reasons why the Alliance believes that HR 2454 is bad public policy. Some of the points he made are:

- **HR 2454 discriminates against natural gas.** Natural gas should receive a premium as the cleanest burning fossil fuel and it delivers a high btu content. The natural gas advantage creates American jobs for Texans. The American Natural Gas Alliance (ANGA) estimates 2.8 million jobs are created around natural gas, and 46% or 1.3 million of those jobs can be accounted for in Texas. Natural gas is plentiful. With new technology and new geologic understanding of shale formations, the natural gas industry can now say that we have a 100 year supply, and some estimate 200 years. 30% of natural gas in the United States is produced in Texas. Yet, Waxman-Markey does not recognize this value and instead provides a checkerboard of allocations to competing fuels – coal, solar, wind, and others.
- **U. S. refineries will be at competitive disadvantage with foreign refiners.** The American Petroleum Institute has recently released a study which predicts a 17% drop in U. S. refining production by 2030 if the Waxman-Markey climate bill is passed as currently structured. The difference will necessarily be made up by 19.4% more imports of foreign products. Under the Waxman-Markey legislation, U. S. refiners would be required to purchase permits for half of their carbon emissions, but would receive only 2.25% of the emissions allowance. Yet, the electric generating sector received 10% of the emissions allowance. The government is again picking winners.
- **Protection against fraud and cheating will be expensive.** Cap and trade necessarily requires the creation of a working, transparent marketplace. We all know how hard this is to monitor and enforce. There are numerous examples of fraud and misappropriation daily. The challenges and associated costs of policing an international and national cap-and-trade system will be formidable. Tracking the allowances must be accurate and the players in the market must have confidence that the allowance being bought, sold, traded, etc. are legitimate and not stolen or fraudulent. fraud is great.
- **Big government gets bigger, and big business gains advantage over small business.** Large, publicly-held, international companies will be able to set up emission trading departments with the latest in technology and will hire the leading experts in the field of trading. This will become another "profit center" for these companies as they buy, sell and trade carbon emission allowances. Meanwhile, small companies will be in the dark unable to find the light switch. They will not be able to hire trading experts, set up trading departments or even understand the basics of this new trading system. Small companies will be at a considerable disadvantage in this new world of carbon emissions trading.

"Economic growth is key to the success of any plan designed to reduce greenhouse gases," Stevens said. "If a cap-and-trade program rapidly reduces fossil fuel supplies and demand for energy remains high and other forms of energy do not or cannot replace fossil fuels, prices will rise to astronomical levels creating enormous problems in the U. S. At the same time, under Waxman-Markey, carbon emissions are only slightly reduced. This slight environmental gain will not be worth the pain that the economy and the citizens of our nation will endure.

"Waxman-Markey fails the environment and fails the economic efficiency test. Waxman-Markey fails Texas," Stevens said.